

### **Summary of Issues:**

#### **1. Inappropriate use of purchase cards:**

Purchase cards account for approximately \$30 million in purchases per year. Approximately 740 Laboratory employees currently hold the cards, down from nearly 900 in early August 2002. That same month, the Laboratory reported to the NNSA that irregularities had been identified in the purchase card system. At the behest of the University of California, the Laboratory immediately contracted with PriceWaterhouse Coopers and former DOE IG John Layton to investigate the Purchase Card program. The ongoing review brings the to-date total of suspected inappropriate payments to \$3,500.

An attempt by another employee to use a purchase card to buy an automobile was stopped with no loss. The laboratory employee to whom the purchase card was issued was placed on administrative (investigative) leave. The Federal Bureau of Investigation has completed its review and the U.S. attorney has declined to prosecute, based on minimal loss. The Laboratory is pursuing follow-up action.

#### **2. Allegations of criminal activities involving the laboratory purchasing system:**

This matter is still under investigation by the Federal Bureau of Investigation. Published reports on the court documents filed in a federal investigation into alleged abuse of the Laboratory's purchase order system have shown, to date, approximately \$50,000 in potentially misappropriated funds. Laboratory officials have cooperated fully since being notified of the investigation, and have kept both the University of California, NNSA and DOE officials informed since they were first notified of that investigation.

Because this is an ongoing federal investigation, the Laboratory cannot comment further. However, at this point we have seen *no* evidence of any compromise to national security.

#### **3. Allegations involving property management:**

All LANL property must be properly cared for, used for official purposes only, and properly disposed of regardless of the condition of the property. In addition to the normal controls, property used in a secure capacity is also accounted for consistent with federal, DOE and NNSA regulations. The laboratory is required by DOE

rules to account for all of its inventory-controlled property (in excess of \$1 billion) each year. Inventory-controlled property is base-lined annually in a self-assessment against DOE-specified review criteria. Results are validated by UC and DOE and have consistently shown that LANL is in compliance with all applicable statutory and contractual requirements. While the Department, the University and the laboratory work to account for all of the laboratory's property, inventory tracking systems seldom achieve 100 percent due to employee turnover, employee and management tracking errors, and losses, as well as theft. The management contract requires the laboratory to account for at least 99.5 percent of its inventory for it to achieve a performance rating of "outstanding." The laboratory has met that standard in each of the last three years; in fact, it has improved its performance over that period, with unaccounted for inventory in 2002 below one tenth of one percent.